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COMPANY PEFORMANCE AS A DETERMINANTS OF CORPORATE SOCIAL RESPONSIBILITY REPORTING: SURVEY OF COMPANIES LISTED IN NAIROBI SECURITIES EXCHANGE IN KENYA

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Abstract: *The purpose of the study was to explore the extent of corporate social responsibility reporting and to evaluate whether company performance is a determinant of the extent of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya. Based on content analysis of 37 sampled companies which were selected using stratified sampling the descriptive findings of the study reveal that the extent of corporate social responsibility reporting has been adopted by many of the sampled companies as a common practice though the extent and level of reporting differed significantly from one company to another. The linear regression model results reveal that company performance as measured in terms of total assets, profitability, return on equity and market share was found to have a positive and significant association with the extent of corporate social responsibility reporting while the hypothesis testing results reveal that company performance is a significant determinant of the extent of corporate social responsibility reporting among companies listed in Nairobi Securities exchange in Kenya. The study recommended that other studies can be carried out on the same topic but targeting the private sector, SMEs and focusing more than one year to determine if similar results could be identified.*

Key words: *Accountability, Transparency, Corporate social responsibility reporting, sustainability reporting, non -financial reporting*

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1.0 INTRODUCTION

1.1 Background

Accountability and transparency has been considered key components in achieving the economic goals of the Kenya's Vision 2030. To achieve these goals, firms are expected to be more transparent and accountable on how they utilize stakeholder's resources at their disposal. One of the strategies of encouraging transparency and accountability as stated in the Republic of Kenya (2012) sessional paper no. 10 is to encourage public access to information and data so as to ensure transparent, accountable, ethical and result oriented public institutions. The preparation of financial report has been considered as a key practice among business organizations because these reports are used to communicate both financial and non-financial information to the intended users which acts as a basis for decision making. Transparency and disclosure of information is crucial in companies listed in Nairobi Securities Exchange because it is considered as a means through which stakeholders are able to interact with the company. It is a legal requirement that all companies listed in Nairobi Securities Exchange prepare annual reports which show a true and fair view of company affairs. In addition to preparing annual reports companies voluntarily disclose more information than what is needed, this trend has been prompted by the diverse stakeholders who are demanding for more information, transparency and accountability from companies due to massive company failures experienced in the 21st century (Baroko, Hancock and Izan, 2006).

Corporate social responsibility (CSR) reporting remains to be part of the information which is provided on voluntary basis in many countries. There is no clear definition of corporate social responsibility reporting (Reverte, 2009). Several terminologies have been used to refer to reporting on an organizations' impact on society and the environment within which they operate. It has been referred to as Corporate social responsibility reporting, social accounting and accountability, sustainability reporting or sustainability performance measurement (Kalunda, 2012). According to Reverte (2009), corporate social responsibility is defined as the process of integrating social and environmental concerns in their business operations and in their interaction with stakeholders on voluntary basis. A more recent definition was provided by KPMG (2011) that corporate social responsibility refers to a company's voluntary contribution to sustainable development which goes beyond the legal requirement. Owen and Adams (1996) defined CSR reporting as the process of communicating the social and environmental effects of an organization's economic actions to particular interest groups within society and to society at large. It is also referred to as Sustainability Reporting which is the practice of disclosing to the stakeholders the economic, social and environmental initiatives taken by a company, as an indication of its commitment to sustainable development (KPMG, 2011).

Many attempts have been made in literature to understand, explain and justify corporate social reporting. Owen (2005) indicated that identifying the motivation for companies' disclosure of social information is an important research tradition in the corporate social reporting literature. There is a growing consensus among investors that the production of corporate responsibility report is considered as a minimum requirement for companies seeking to demonstrate good corporate citizenship (Rory, 2011), provision of such reports are considered as evidence that managers are taking social and environmental issues as priority. Investors are becoming increasingly aware of the potential financial significance of social and environmental issues and the potential to generate investment insights hence they are demanding more of the non-financial reporting (Rory, 2011). Proponents of CSR initiatives justify the expenditures by arguing that they have a positive impact on long term profitability of the organizations. By disclosing social and environmental information enterprises are able to identify and manage issues that influence their business success. Disclosure on non-financial parameters offers a holistic view of the company's performance. This practice is being recognized as a good corporate practice that enhances the reputation of the organization as well as improving the financial performance and increases the competitive advantage of the organization in the long run. Weak reporting can contribute to unethical behavior in a company; it deters the growth of the company through loss of integrity, increase cost of capital as well as lead to poor resource allocation.

Reporting on CSR activities is more advanced in the developed countries as compared to developing countries. According to KPMG (2011) survey, 95% of the G250 surveyed companies had adopted CSR reporting practice by the end of 2011. Jo and Kim (2008) also identified that 50% of the Fortune 1000 companies regularly issued CSR reports. In these developed nations there are laid down policies and guidelines on CSR reporting which help the reporters avoid ambiguity associated with voluntary reporting. European Commission provided a directive on non-financial reporting (COM, 2011) whose objective was to increase EU Companies transparency and performance on environmental and social matters. This directive included guidelines on how to disclose environmental and social matters hence making such reporting mandatory for all public companies in Europe.

In many developing economies the adoption of CSR activities has increased as a way of alleviating poverty among the less fortunate in the society. Based on this many organizations are spending considerable amounts in financing such CSR activities. Contrary to expectations corporate social responsibility reporting in emerging economies is yet to get prominence since in most developing countries disclosure is still on voluntary basis. Most companies are mostly focused on reporting about the financial performance of the businesses. The COM (2011) report emphasized that the current global economic crisis arose from fundamental errors with respect to transparency and accountability. Most emerging countries have started showing interest in CSR reporting with majority of them from the Indian and Chinese countries although a considerable part of literature has been undertaken in the emerging economies context during the first decade of this century, emerging economies still require special attention (KPMG, 2011) and an important future research is still urgently needed.

In Kenya the practice of corporate social responsibility reporting is a new concept with very low levels of CSR disclosure (mean of 15%) reported by Baroko, Dulacha and Brown (2008) among the banking sector in Kenya. Corporate Social and Environment reporting is voluntary in Kenya, the Centre for Corporate Governance Kenya (CCGK) is the main driving force with respect to corporate governance reforms in the country. The Centre was established in 1999, and also serves as a Secretariat to the Pan African Consultative Forum on Corporate Governance. In 2005 CCGK issued guidelines on corporate financial reporting and disclosure which were to be adopted by companies on voluntary basis. The capital market steering committee on corporate governance (2014) has developed a blue print on corporate governance which provides new guidelines on reporting on non-financial aspects of companies with most of them on voluntary basis. The issues of disclosing CSR information however has not been given much weight. Prior research findings have showed that Kenyan companies have very low levels of CSR reporting (Kalunda , 2012) and that such reporting received modest attention and lacked the completeness necessary to make them reliable (Okoth and Ponnu, 2009).

Prior studies in the issue of CSR reporting focuses on developed countries (Bouten, Everaert and Roberts, 2012; Reverte, 2009; Parsa and Kouhy, 2008; Branco and Rodrigues, 2008; Ghazali, 2007; Anwar, 2005). Most of the studies which have been done in Kenya focused on CSR practices (Gilbert, 2008; Muthuri and Gilbert, 2010; Wafula, 2012). A few studies examined CSR Reporting in Kenya; Kalunda (2012) explored the extent, form and mode of CSR reporting in Kenya, Okoth and Ponnu (2009) focused on the themes of CSR reporting while Baraka and Brown (2008) investigated the effect of gender representation on board of directors as a determinant of CSR disclosure. A complete analysis on the determinants of extent of CSR reporting is missing in the Kenyan context, hence the purpose of this study which was aimed at applying the legitimacy theory, stakeholder theory and institutional theory to assess whether the Company performance can explain the extent of Corporate Social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya.

1.2 Statement of the Research Problem

Accountability and transparency has been considered key components in achieving the economic goals of the Kenya's Vision 2030. To achieve these economic goals, companies are expected to be more transparent and accountable on how they utilize stakeholder's resources at their disposal. Due to the massive company failures experienced in the 20th century stakeholders are becoming more proactive in demanding for more comprehensive information from the managers about the performance of their organizations. Preparation of financial reports has been the used as a tool for communicating, monitoring and evaluating the management's accountability and transparency. These financial reports focus mainly on reporting the economic aspect of performance which makes them limited because the social and environmental aspects are left out hence the need for more comprehensive reports which focus on all areas of business performance including the economic, environmental, employee welfare, community involvement, product or service quality as well as corporate governance.

In Kenya the provision of non-financial reports is done on voluntary basis among this includes information on corporate social responsibilities. Full disclosure of information allows stakeholders to understand companies' activities, policies, performance as well as providing a competitive edge. On the other hand insufficient or unclear information may encourage unethical behavior such as fraud, loss of company resources as well as increased cost of capital (Rory, 2011). In many organizations a considerable amount of resources are being used in funding corporate social responsibility activities. According to Ufadhili trust (2010) 12% of Kenya's companies spent between Ksh20M and Ksh150M on CSR activities in one year, but the level of disclosure on CSR activities is very low compared to most developed countries (Kalunda, 2012). Due to these massive investments in CSR activities, stakeholders are demanding to be provided with clear, complete and up to date information about the resources used in CSR activities to be able to evaluate the returns on such investments.

In most developed countries the preparation and presentation of CSR reports have become a common practice. According to KPMG (2011) survey on G250 companies 71% of European countries reported on CSR activities with American companies at 69%. A number of important markets in developing and emerging economies still show low levels of CSR reporting with only 20% of Indian companies adopting the practice 37% in Taiwan. Though Kenya was not included in the survey the research by Baroko, Duracha and Brown (2008) indicated a very low level (15%) of CSR reporting in the banking sector and also similar results were reported by Okoth and Ponnu (2009) and Kalunda (2012). Most of the studies which have been done in Kenya focused on CSR practices (Gilbert, 2008; Muthuri and Gilbert, 2010; Wafula, 2012). A few studies examined CSR Reporting in Kenya; Kalunda (2012) explored the extent, form and mode of CSR reporting in Kenya, Okoth and Ponnu (2009) focused on the themes of CSR reporting while Baraka and Brown (2008) investigated the effect of gender representation on board of directors as a determinant of CSR disclosure. To extent literature on corporate social responsibility this study was aimed at evaluating whether company performance is a determinant of corporate social responsibility reporting in Kenya with a particular focus on companies listed in Nairobi Securities Exchange.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to assess whether company performance is a determinant of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya.

1.3.2 Specific Objectives

1. To investigate the extent of corporate social responsibility reporting among companies listed in Nairobi Securities exchange in Kenya
2. To assess whether company performance is a determinant of the extent of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya.

1.4 Research Hypothesis

The study was aimed at testing the following null hypothesis (H0);

Company performancedoes not determine the extent of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya.

1.5 Justification of the study

This study was aimed at assessing whether company performance is a determinant of CSR reporting among companies listed in Nairobi Securities Exchange in Kenya. It is expected to contribute greatly in the field of corporate social responsibility; specifically it will contribute greatly to the growing body of literature focusing on CSR reporting in developing countries. Due to the minimal research on CSR reporting in Kenya (Kalunda, 2012), this study will fill the literature gap. The findings of the study will be of key concern to the accounting regulators in the country such as ICPAK in their efforts towards ensuring transparency and accountability in reporting by companies in Kenya. The results of the study will also be expected to increase knowledge of CSR reporting in Kenya that will be of particular interest to those companies which do not in particular see the need for CSR reporting since it is done on voluntary basis. The recommendations will provide insight to the Chief Executive Officers in their key role of ensuring accountability and transparency through integrated reporting.

1.6 Scope of the study

Geographical scope: The study explored the determinants of corporate social responsibility reporting in companies listed in Nairobi Securities Exchange in Kenya. It focused only on a sample of 37 randomly selected companies from companies listed in Nairobi Securities Exchange as at the end of the financial year 2013.

Content scope: the study was limited to exploring only Company performancemeasured in terms of profitability, total assets, return on investment and market share and their influence on the extent of CSR reporting among the sampled companies.

Statistical scope: Primary data was collected through the use of a structured questionnaire focusing on the CEO, Accountant, Assistant accountant and the chief internal auditor as the respondents from the sampled companies as they are expected to be people concerned with preparation of financial statements to collect information directly from the respondents and especially the information which cannot be obtained from the financial report (Reverte, 2009). Document analysis was used focusing on the published financial reports to collect evidence on the extent of CSR reporting among the sampled companies, this method was preferred as it was expected to reduce bias, lack of responses as well as inaccuracy of information obtained from the questionnaires (Glasow, 2005). Secondary data was collected from online journals as well as books to supplement the primary data. Statistical tools were used to evaluating whether the company performance variables can be used to achieve the researcher's objective of assessing her company performance is a determinant of corporate social responsibility reporting in Kenya.To achieve the objectives of the study, descriptive statistics, correlation (R) and regression models were used to test the hypotheses at 95% level of significance and the conclusions made based on the findings.

1.8 Limitations of the study

During the study the following challenges were experiences;

Measurement of Corporate social responsibility reporting index: the reporting index was based on the requirements of the global reporting initiative (GRI), 2006 which has been developed with particular emphasis to developed countries which has not been adopted by the Kenyan companies who use their local terms to refer to CSR reporting activities. This difference may have affected the comparability of the results with those of developed countries.

Confidentiality of financial data: some of the data required for the study was confidential in nature which required a high level of protection. This led to the study using perception questions in the questionnaire and make inferences in reference to the information required for the study.

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the literature related to company performance and the extent of corporate social responsibility reporting among previous studies. The reviewed literature provided a basis for an appropriate theoretical and conceptual framework for assessing whether Company performance can determine the extent of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya. The chapter focused on the theoretical framework, conceptual framework, empirical review, research gaps as well as a summary of literature review.

2.2 Theoretical Framework

2.2.1 Legitimacy theory

Legitimacy is the status or condition which exists when an entity's value system is congruent with that of the society of which the entity is a part. Legitimacy theory (Dowling and Pfeffer, 1975) tries to explain why organization carry out some practices beyond what is expected of them by the regulators. Legitimacy is expected to be provided by the society to the organizations operating within the society only if the organizations activities are in line with the interests and expectations of the society. This theory proposes a relationship between corporate disclosure and community expectation in that organization voluntary disclose social and environmental information with the aim of satisfying the expectations of stakeholders. Several studies have been carried out using legitimacy theory to explain why organizations go beyond the legal disclosure requirement (Owen, 2008; Patten, 1992; Deegan and Gordon, 1996; Cormier and Gordon, 2001; Lodhia, 2005; Cho and Patten, 2007; Tilling and Tilt, 2010). The argument is companies seek to legitimize their existence to society by voluntary disclosing social and environmental information in their annual reports justifying that they have the interest of the society at heart when carrying out their activities.

This theory is based on the principle of social contract which explains the expectations that the society has, about how the organizations are expected to operate (Deegan, 2006). It is based on the assumption that businesses exist for the benefit of the general community not necessarily for the benefit of the shareholders, and thus they should behave in line with the expectations of the general community in order to avoid being considered illegitimate. Due to the increase demand for information, accountability and transparency any organization which does not provide information to stakeholders is considered to act against the expectations of the stakeholders hence the community should disregard their products, or investing in them. This has prompted companies to be proactive in their corporate social responsibility reporting in order to seek legitimacy from the community.

2.2.2 Stakeholder theory

The stakeholder theory is related to the legitimacy theory in that both focus on the expectation of stakeholders as the basis for organization's behavior. While legitimacy theory focuses on the society as a whole, the stakeholder theory focuses on individual stakeholders expectations from the organization by considering the different stakeholders within the society and identifying how they can be managed to meet specific group's expectations. A stakeholder is defined as any group or individual who is affected and can affect the achievement of the organization's objectives (Freeman, 1984). Based on the ethical perspective of stakeholder theory, each of these groups has different interests which conflict with those of others and so it is the responsibility of the entities to manage the business in such a way that balances the interests of all these stakeholder groups (Deegan, 2002). Each of these stakeholders requires knowing how the organization is meeting their corporate social responsibility expectation which is achieved through CSR reporting. Among the diverse stakeholders the government is seen to have greater power to influence organizations to act in a particular manner, this will make the companies to report more in order to meet the expectations of the most powerful stakeholders. Thus this theory was used explain whether the companies prepare CSR reports due to pressure from these stakeholders or to achieve the expectations of the different stakeholders.

2.2.3 Institutional Theory

Institutional theory refers to the role played by other institutions in individual member's decision making process. This theory is related to both legitimacy and stakeholder theory in that organizations will ensure compliance with higher level institutions and their expectations in order to be seen as complying with the regulations hence is given legitimacy to continue operating. Since businesses do not exist in isolation, they exist for and within influential institutions which determine how they operate by exerting pressure on such businesses. Proponents of institutional theory such as Porter and Kramer (2007) argue that external stakeholders such as local community, land owners, environmentalists, the government, and regulatory agencies hold companies responsible for their impact on their operating environment hence they are keen to analyze the reporting to understand the extent of such impact and to understand what strategies these companies are using to ensure sustainable development without hearting any of the stakeholders. According to Oliver (1991), pressures from stakeholder groups have an effect on how the companies behave with regard to corporate social responsibility disclosure. This theory will be used in this study to explain whether companies owned by the state have more pressure to disclose SCR activities compared to those owned by private sector, . it can also provide evidence on whether the companies listed in Nairobi Securities Exchange are pressurized by the diverse stakeholders to disclose more information concerning their activities.

2.3 Conceptual Framework

A conceptual framework is a diagrammatic representation of the relationship between the variables under study. It shows the researchers expectations about the relationship between the independent variables and the dependent variable. Based on the theories identified and analyzed above, this study was aimed at assessing whether Company performance measured in terms of profitability, total assets, return on investment and market share (independent variables) can be used to explain the extent of corporate social responsibility reporting (the dependent variable) among the companies listed in Nairobi Securities Exchange in Kenya.

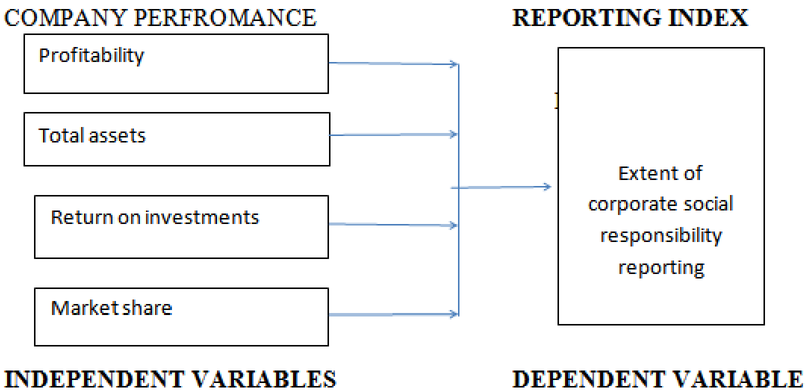

Fig.2. 1 Conceptual framework

2.3.1. Operationalization of variables

2.3.2. Profitability

Profitability was considered as the first independent variable. This was measured in terms of the availability of the retained profits available to be used for non-operating activities of the business.

2.3.3 Total assets

Total assets were considered as the second independent variable. It was taken as the combination of the current and noncurrent assets owned by the company as a measure of how well the company is performing in terms of assets which are to be used to generate income to be used for CSR activities.

2.3.4. Return on investment

Return on investment was the third independent variable. It is a measure how efficiently and effectively the company is utilizing the resources at their disposal to generate returns for the investors. It is a measure of company performance from an investor's perspective.

2.3.5. Market share

The market share is a measure of how the company is performing in relation to other companies in the industry. When a company is performing well it is expected to have a larger market share.

2.3.6 Extent of corporate social responsibility reporting

This was considered as the dependent variable, which is the extent to which the companies have been able to disclose information about corporate social responsibility activities in their annual reports. The extent of reporting was in terms of an un-weighted disclosure index which was calculated as the total number of items disclosed divided by the total number of expected disclosure items as per the GRI index requirement.

2.4. Company performance and extent of corporate social responsibility reporting

Company performance has been widely used as a determinant of corporate social responsibility reporting in developed countries. Several measures of performance have been used such as profitability (Ponnu and Okoth, 2009) and total assets (Khasharmeh and Desoky (2010).

2.4.1 Company profitability and extent of CSR reporting

Studies on the relationship between profitability and CSR reporting provide mixed results, several studies have identifies a positive relationship (Ismail and chander, 2005; Mohammad, 2012; Hassan, 2006; Desoky, 2009). These Proponents justify the practice of

CSR reporting by indicating that managers of profitable firms provide more information on CSR activities to support their own continuation of their current positions and to justify to the stakeholders that the cost of CSR activities has a positive results to the organization (Desoky, 2009). This justification is supported by evidence from other studies which show a positive relationship between engaging in CSR activities and profitability of the firms. Reverte (2009) identified that profitable firms attract more attention from the public and the tax authorities thus in line with the legitimacy theory will be expected to disclose more information including that of their CSR activities in order to justify their existence as well as avoid unnecessary scrutiny from the authorities.

On the other hand several studies have shown a negative relationship between profitability and SCR reporting (Brammer and Pavelin, 2008; Barako et al, 2006; Ismael et al, 2007; Samaha et al, 2010). These studies provide the view that since CSR reporting is a voluntary activity in most countries, the cost involved may not be justifiable hence they expense these expenditures as part of the company's operating expenses instead of preparing a standalone statement which would increase the costs associated with CSR Reporting. According to Samaha et al (2010), for an organization to be profitable it is imperative that it must maintain its cost as low as possible hence reporting on voluntary basis should not be adopted as long as it is increasing the costs hence lower the profitability of the firm. CSR reporting in Kenya and in most developing countries is done on voluntary basis hence the lack of justification in carrying an activity which will add cost to the organization yet it is not a requirement. According to Haigh and Jones (2006) providing CSR reports is a public relations tool and not a form of accountability of companies to the public as they are done on voluntary basis. Hence the reason as to why they report only positive results only leaving the negative issues undisclosed making the reports incomplete and lacking reliability and objectivity as identified by Kalunda (2012).It is in line with this argument that the current study seeks to test the following hypotheses;

$H0_1$: profitability does not determine of the extent of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya

2.4.2. Total assets and extent of CSR reporting

The use of total assets as a measure of performance has been advocated for by several researchers from literature such as Desoky (2009), Ally and Simon (2008). This is because total assets is a measure of the worth of the company in terms of the resources owned by the company hence it is considered the appropriate measure of the company performance. Several studies have found a positive relationship between firm size in terms of total assets and extent of CSR reporting, Deegan and Gordon (1996), Githrie and Parker (1989), Barako et al (2006) Hankock and Izan (2007), Desoky (2009), Reverte (2009) and Khasharmeh (2010). large companies are expected to undertake considerably large number of transactions compared to small companies, they are also expected to have large number of stakeholders who require to be provided with information concerning the company activities in order to establish whether their interest in the company are being safeguarded. Prior study of Anwar (2005) provide evidence that large companies engage in CSR activities more in order to safeguard their reputation and achieve the expectations of the society within which they exist as well as attract quality investors. The legitimacy theory proposes a relationship between corporate disclosure and community expectations. Companies with large stakeholders are expected to serve the interest of many players hence have higher expectations to meet compared to small firms Owen (2008). On the other hand, small companies may lack the necessary resources needed for collecting, analyzing and disseminating the CSR activities information to the different stakeholders (Buzby, 1979).

Despite the above justification the positive relationship between firms size and CSR reporting, few studies identified no relationship between firm size and CSR reporting such as the work of Ponnu and Okoth (2009) who carried out a study of CSR activities in Kenya with the aim of identifying the themes of reporting among different companies, with a conclusion that since CSR disclosure is voluntary in Kenya those who prepared them did so as a competitive strategy and not because of pressure from the large number of stakeholders hence the conclusion that company performance in terms of size has no significant relationship with CSR disclosure. It is in line with this argument that the current study seeks to test the following hypotheses;

$H0_2$: Total assets do not determine the extent of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya.

2.4.3Return on investment and extent of corporate social responsibility reporting

Return on investment also called return on equity is an accounting measure of the ability of the company to generate returns for the investors. Several studies have used accounting based measures such as return on equity, return on investments, and return on assets as measures of performance. Return on investment has been used by many researcher as a measure of performance in evaluating the effect of performance on corporate social responsibility disclosures (Lev et al, 2008;Choi et al, 2010;Rouf, 2011; Lungu et al, 2011). Return on investment is a measure of how well the company is performing in terms of managing the resources at its disposal to generate tangible benefits for the investors. According to Lev et al (2008) companies with high return on investment tent to attract socially responsible consumers as well as attract more investors since they are considered good and attractive investment target.

There is a considerable debate on the association between return on investment and the extent of corporate social responsibility disclosures among trending studies in the area of CSR. Majority of the studies reviewed have revealed a positive relationship between return on investment and CSR reporting (Lev et al, 2008; Choi et al, 2010; Rouf, 2011). These studies based on the stakeholder theory as well as the legitimacy theory argue that companies with high returns for investors are interested in proving that they are good corporate citizens by not only concentrating on economic performance but also caring for the community within which they operate, hence by disclosing their efforts towards the community they intent to prove to the investors that they are managing the resources in a socially acceptable manner.

On the other hand a study by Lungu et al (2011) revealed a negative association between return on investment and the extent of corporate social responsibility reporting among the reviewed companies. This implied that companies with higher return on investment for one year tend to give smaller importance to social and environmental disclosures. An indicator that the higher level of performance need not be over emphasized since the investors could be more interested with the returns from their investments while companies with lower returns must put efforts to explain and justify the poor performance by reporting even the efforts they are putting in place to safeguard the relations between the company and the community so as to be allowed legitimacy in their existence. It is line with these arguments that the current study sought the assess whether the companies' return on investmenthas any association with the extent of CSR reporting among companies listed in Nairobi Securities Exchange in Kenya by testing the following null hypothesis;

$H0_3$: return on investment does not determine the extent of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya.

2.4.4 Market share and extent of corporate social responsibility reporting

The company's market share is a measure of the company performance as well as the company size. Company size has been used by many researchers in the field of corporate social responsibility to assess whether it is a determinant of the extent of reporting (Brammer and Pavelin, 2006; Ghazali, 2007; Ramin et al, 2010; Yao et al, 2011). A general observation from literature reveals that large companies have more diverse stakeholders with different interest which should be fulfilled by the companies. According the agency theory when the stakeholders are diverse, the agency costs are high because of the disconnect between the stakeholders and the management. It is therefore expected that the managers would reduce these agency cost by disclosing more information concerning the operations of the company to the stakeholders. This was confirmed by Brammer and Pavelin (2006) who argued that large companies with large number of stakeholders are more likely to voluntary report what the managers are doing than small companies since large companies have the resources required to make such disclosures.

Majority of the studies have found a positive association between market share and the extent of CSR reporting. The justification for this trend is that the larger the company's market shares the higher the level of potential conflict between the managers and the diverse stakeholders. In an effort to reduce these conflicts the managers engage in increased level of information disclosure so as to demonstrate that their actions are socially acceptable and that they can be considered as good corporate citizens (Ghazali, 2007). Smaller companies on the other hand have less market share an indicator of less level of operation hence less stakeholders who have interest in the affairs of the company. In such a set up the stakeholders have direct access to the managers hence have higher level of understanding about what the management is doing with their resources hence less need for disclosures from the management. In light with this the current study sought to assess whether the size of market share is associated with the extent of corporate social responsibility reporting among the companies listed in Nairobi Securities Exchange in Kenya by testing the following hypothesis;

$H0_4$: Market share does not determine the extent of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya.

2.5 Research Gaps

The empirical review has identified that most studies on CSR reporting have been carried out in developed countries such as United States of America, Europe, Australia, with Asia and Africa trailing on the list according to KPMG (2011). Despite this trend many developing countries have shown considerable improvement in CSR reporting with a United Nations (UN) (2010) report showing that sustainability reporting has increased from zero in 1992 to 4000 reports in 2010. Thus it is important to have an understanding of the factors which have led to this increased trend using a developing country Kenya as a point of reference.

Many studies on the determinants of CSR reporting have been carried out in developed countries with minimal evidence on developing countries, this gap will be filled by the current study which will provide evidence on company performance as a determinant of CSR reporting among Kenyan companies.

2.6 Summary of Literature

The empirical review has identified that many studies on CSR reporting are concerned with identifying the disclosure practices in the respective countries (Kalunda, 2012; Reverte, 2009; Rouf, 2011; Gilbert and Muthuri, 2012, Kivuitu, 2005; Jo and Kim, 2008; Barako, Dulacho and Brown, 2009) with the majority identifying that in developing countries CSR reporting is widely accepted practice with consistency in their reporting (KPMG, 2011). In developing countries disclosure practices are done on ad-hoc manner, inconsistent, incomplete and lack the reliability and objectivity required to be used to provide the much needed information by stakeholders about the CSR activities in the organizations (Kalunda, 2012). In Malaysia Zakaria and Dewa (2010) investigated CSR reporting in financial institutions and also concluded that the reporting was ad-hoc, general and self-Laudatory. Literature on the determinants of CSR reporting is still minimal in developing countries, Desoky (2009) used content analysis to identify the association between company characteristics and CSR reporting and found a positive relationship in all identified characteristic. Ponnu and Okoth (2009) investigated CSR practices in Kenya focusing on annual reports and company web sites with only one determinant (company size) where they identified that CSR reporting received modest attention with no significant relationship between Size and SCR reporting.

Several determinants have been identified in literature which may be used to explain the reason behind CSR reporting among many companies such as size of the company (Ponnu and Okoth, 2009; Aly and Simon, 2008; Brammer and Pavelin, 2008) industry type (Khasharmeh and Desoky, 2013; Boesso and Kumar, 2007; Muthuri and Gilbert, 2011) which gave conflicting results; profitability (Mohamad, 2012; Desoky, 2009, Reverte, 2009; Hassan, 2006) and ownership structure (Mohammad and Zahan, 2013; Saleh, 2009; Chau and Gray, 2002; Ghazali, 2007). The current studies seeks to extent knowledge on the determinants of CSR reporting in Kenya by focusing on company performance measured in terms of profitability, total assets, return on investment and market share, and assess the extent to which they can be used to explain the extent of CSR reporting based on the Kenyan context.

3.0 METHODLOGY

3.1 Introduction

This chapter describes the specific strategies that were used in the collection of data, processing and its analysis in order to answer the research questions under study. It focused on the research design, study population, samples and sampling techniques, data collection, analysis and presentation as detailed in the following sub sections.

3.2 Research Design

A research design is a conceptual structure within which the research is conducted (Kothari, 2007). The current study was aimed at evaluating whether company performance is a determinant of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya. This was achieved by use of descriptive survey design which involved the collection of data, analysis and test of hypotheses with the aim of answering questions concerning the current state of the subjects under study (Mugenda and Mugenda, 2003). The aim of descriptive research is to provide an accurate and valid representation of the variables under study (Web, 1999). It requires a specific form of data collection such as a survey or a case study and also offers a unique means of collecting confidential information such as content analysis (Write, 1995). It also yields rich data that can lead to important recommendations, hence was appropriate for the current study. Descriptive survey research design presents an opportunity to fuse both qualitative and quantitative research.

Quantitative research is a systematic investigation of quantitative properties of data while qualitative research involves analysis of non-quantitative data to describe the reality of the phenomenon as experienced by the respondents (Mugenda and Mugenda, 2003). This method was appropriate for the current study because it involved both quantitative as well as qualitative data analysis.

3.3 Target Population

Target population is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined or set of people, services, elements, events and group of things or households that are being investigated. Mugenda and Mugenda, (2003) explains that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. The target population for the current study consisted of four respondents each for all the 60 companies listed in Nairobi Securities Exchange (NSE, 2013). The companies listed in Nairobi Securities Exchange are required by law to publish their audited annual reports four months after their year end and it is expected that the reports of 2013 financial year will be available for analysis. The companies listed in Nairobi Securities Exchange reports were selected for this study because they were expected to be audited by independent auditors hence provide more reliable information (Rouf, 2011).

3.4 Sampling Frame

A sample is a subset of the population which is the full set of the elements, while a sampling frame is a list of the number of elements that are in the population (Kothari, 2007). The sampling frame for the current study comprised of four respondents each for all the 60 companies listed in Nairobi Securities Exchange by the last day of 31st December 2013 (NSE, 2013). The four respondents were the company CEO, the Accountant, the Assistant Accountant and the chief internal auditor. These are expected to be responsible for the preparation and presentation of financial reports in the companies. The companies listed in Nairobi Securities Exchange are as per the table below:

Table 3.1: Sampling frame

Sector	Number of companies	Number of respondents	Study population
Agriculture	7	4	28
Commercial & Services	9	4	36
Telecommunication and Technology	2	4	8
Automobiles and Accessories	4	4	16
Banking	10	4	40
Insurance	6	4	24
Investment	4	4	16
Construction and Allied	5	4	20
Manufacturing and Allied	9	4	36
Energy and petroleum	4	4	16
Total population	60		240

(Source: Adapted from NSE Website)

3.5 Sample size

A sample is a smaller and more accessible sub set of the population that adequately represents the overall group, thus enabling one to give an accurate picture of the population as a whole with respect to the particular aspects of interests of the study (Ngechu, 2004). According to Morris (2004), when dealing with large populations, the size of the sample is determined by using the normal approximation to the binomial distribution but the determination of sample size for small populations the sample is best achieved when researcher use the normal approximation to the hyper geometric distribution. The population in this study is 240 respondents from the 60 firms listed in NSE, which is considered a small population. Thus the sample size for this study will then follow hyper geometric distribution whose formula is as follows:

$$\text{Hyper geometric} \quad n = \frac{N Z^2 p q}{\left(E^2 (N-1) + Z^2 p q\right)}$$

Where;

n = the required sample size

N = the population size

p and q = the population proportions. (If these are not known set them each at 0.5)

z = the value that specifies the level of confidence. Typical levels of confidence for surveys are 95%, in which case z is set to 1.96.

E = sets the accuracy of the sample proportions. This study will adopt an accuracy of plus or minus 10%, thus E is set to 0.1.

Based on the above formula the sample size for the companies is 37.2 which will be approximated to be 37 companies with four respondents each makes the sample size to be 148 respondents which is approximately 61.67 percent of the target population.

3.6 Sampling Technique

This employed multi-stage sampling technique to select the sample from the population. The population is already grouped into ten categories, in the first stage stratified sampling was used to select the required sample of 37 companies, each sub sample was obtained in proportion to their sizes in the population based on the proportion of sample into the total population which is 37/60 = 61.67%. Stratified sampling was adapted because the population was stratified into ten categories hence the use of stratified sampling which is considered most efficient, optimal with no difference within the stratum variances (Kothari, 2007). In the second stage, simple random sampling was used in selecting the companies to be included in the study. Each company was allocated a serial number, and to determine which company to include in the sample the numbers were picked randomly from each category to avoid bias and ensure representativeness (Kothari, 2007). From the 37 companies four respondents were purposively selected for the study. The four respondents were the company CEO, the Accountant, the Assistant Accountant and the chief internal auditor. Purposive sampling is used where the required information can only be obtained from specific members of the population (Morris, 2004). The four respondents were selected because they are responsible for the preparation and presentation of financial reports in the companies, thus the sample size of 148 respondents which represent 61.7% of the target population. Based on the above formula the sample size will be obtained as follows;

Table 3.2: Sample distribution

Sector	No. of companies	Stratum sample size	No. of respondents per sector	Stratum Percentage
Agriculture	7	4	16	10.8
Commercial & Services	9	6	24	16.2
Telecommunication and Technology	2	1	4	2.8

Automobiles and Accessories	4	2	8	5.4
Banking	10	6	24	16.2
Insurance	6	4	16	10.8
Investment	4	2	8	5.4
Construction and Allied	5	3	12	8.1
Manufacturing and Allied	9	6	24	16.2
Energy and petroleum	4	3	12	8.1
Total population	60	37	148	100%

3.7 Data collection

3.7.1 Data collection instruments

In line with previous studies this study employed multiple data collection instruments. Document analysis of the 2013 annual reports from the company's websites was used to collect most of the primary data concerning the extent of CSR reporting among the sampled companies. This method is suitable for collecting data in its natural form which reduces personal bias of the respondents (Glasow, 2005). Each report was carefully analyzed to identify any form of CSR reporting according to the 25 disclosure items provided by GRI (2006) which was used in the determination of the disclosure index for the purpose of data analysis. In addition a structured questionnaire was administered to collect data on the determinants of CSR reporting from the four respondents. Self-administered questionnaires were used to collect information on variables that cannot be observed from the annual reports (Kothari, 2007). Secondary data was collected from reviewing prior literature on CSR reporting from online journal and identified books.

3.7.2. Data collection procedure

Data was collected from annual reports of the sampled companies' websites which were selected randomly. A self-administered questionnaire was hand delivered to the sampled companies' CEO, Accountant, Assistant Accountant and the internal Auditor to collect the required information concerning the identified determinants of CSR reporting. Out of the total 148 respondents who were expected to respond to the questionnaires 112 were successfully filled and collected which formed a success rate of 75.7% which was considered appropriate for the study.

3.7.3 Quality Control

This refers to the reliability and Validity of the instruments (Glasow, 2005). Reliability refers to the degree of consistency and precision of the data collection instrument. This study used Cronbach's Alpha (α) which is an instrument among others to determine the coefficient of reliability of the data collection instrument using SPSS (20) software. The Cronbach's alpha ranges from 0 to 1 whereby the closer to 1 the coefficient the more reliable the instrument is in measuring the intended parameters. The alpha for this study was based on the assumption that a cut-off point of 0.7 and above was considered a strong measure of reliability as advocated by Kothari (2007) and Morris (2004). Based on this assumption, the reliability coefficient of the current study was 0.86 which was considered appropriate. To test for validity, the document review guide was given to an expert in research to ensure that it is well constructed to be able to collect the desired information.

3.8 Pilot-test

To test for validity of the questionnaire, a pre-test was done on four companies which were not part of the sampled companies. This represented approximately 10% of the sample size which was considered appropriate and representative (Mugenda and Mugenda, 2003).The four companies were randomly selected and the questionnaires administered to identify deficiencies in the questionnaires. The results identified some deficiencies which made the questions to be restructured as well as eliminating some of the questions which seemed to be a repetition.

3.9 Data Processing, Analysis and Presentation

The data from the companies' annual reports as well as from questionnaires was cleaned, edited and coded appropriately. The data was tabulated and analyzed using descriptive and inferential statistics with the help of statistical package for social sciences (SPSS version 20) which is a tool among others for data analysis. Descriptive statistics such as mean scores, standard deviation and frequency distribution were used to explore the descriptive features of the extent of corporate social responsibility reporting among the sampled companies based on, reporting by industry type, reporting by industry category, reporting by nationality, reporting by ownership the disclosure themes provided by the GRI (2006)

To test for any association among the variables, Pearson's moment coefficient correlation (r) was used which ranges from -1 to +1 with a 0 representing no linear association between the variables under study while the sign signifies the direction of the relationship. To test the hypotheses, linear regression was used to test the extent of the relationship between individual performance measures and the extent of CSR reporting while multiple regression analysis was used to determine whether the performance variables in aggregation were true and significant determinants of the extent of CSR reporting, and to answer the research questions. Multiple regression attempts to determine whether a group of independent variables together predict a given dependent variable (Mugenda and Mugenda, 1999). The following regression model was used to identify the association between the company's determinants and extent of corporate social responsibility reporting and to test the hypotheses.

$CSRDI(x) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$

Where;

CSRDI= Corporate social responsibility disclosure index

β_0= Intercept

β = regression coefficients

e = error term

X_1- profitability

X_2- total assets

X_3- return on investment

X_4- market share

The decision to reject or accept the null hypotheses was based on the significance of the size of regression coefficients (t- statistic). If the null hypothesis H0: $\beta_i = 0$ (i= 1, 2, 3, 4) is rejected then X_1 was taken to be significant predictor of Y in the presence of the rest. However for each variable ($x \ldots x_y$) the hypothesis H0: $V_{xiy} = 0$ was used to test the relationship between X_i and y. The magnitude of the relationship was determined by the strength of the P- value ($p < 0.05$). The direction was determined by the sign on the coefficient. The findings were presented in form of tables and figures.The items used in calculating the CSR reporting index are indicated in table (3.3) below.

Table 3.3: CSR reporting index items

Disclosure Category	Disclosure item	
Environment	a)	Air pollution/emission
	b)	Solid waste disposal
	c)	Environment policies
	d)	Water discharge and sanitation
	e)	Energy conservation
Employee welfare	a)	Training and development
	b)	Health and safety
	c)	Recreation clubs

	d)	Staff welfare
	e)	Employment of special groups
Community involvement	a)	Donation to charities
	b)	Social welfare
	c)	Community seminars/conferences
	d)	Sponsorship to health
	e)	Sponsorship to education
Product Safety	a)	Safety of company products
	b)	Legal penalties on company products
	c)	Research projects on improving quality
	d)	Awards due to company products
	e)	Company products called back from market
Corporate Governance	a)	Availability of governance report
	b)	Compliance with regulations
	c)	Ethical issues of directors
	d)	Audit report on corporate governance
	e)	Participation of directors in CSR activities

(Adapted from GRI reporting guidelines, 2006)

3.10 Measurement of variables

3.10.1 Extent of corporate social responsibility reporting

The extent of reporting represented the dependent variable, to determine the extent of reporting, a CSRR index was calculated for each sampled company based on five (5) disclosure categories each with five disclosure items as modified from the study of Rouf (2011). The un-weighted disclosure index (CSRDI) was calculated by taking the total number of items of disclosure by a particular company as shown on table 3.3 above, divided by the total number of items expected to be disclosed, as used by Kamar and Yousef (2013). The higher the disclosure index the higher the extent of CSR reporting

$$\text{CSRD index} = \frac{\text{Number of disclosed items}}{\text{Total disclosure items}}$$

3.10.2 Company performance

The performance of a company can influence the extent to which resources are available for collecting, summarizing and reporting corporate social responsibility information. This study focused on company performance in terms of the availability of resources to be used for CSR reporting as adopted by Desoky (2009) and Ally and Simon (2008).To reduce the sensitivity of the information, the company performance was measured by indirect questions based on the extent to which the respondents agreed that the company profitability, total assets, return on assets and growth in market share were adequate for

CSR reporting. A five point likert scale was used for each of the questions pertaining the performance measures to collect information from the respondents hence the higher the score the better the perceived performance. (1= strongly disagree, 2= disagree, 3=neutral, 4= agree and 5= strongly agree)

4.0 RESEARCH FINDINGS AND DISCUSSION

4.1: Introduction

The purpose of the study was to explore the extent of corporate social responsibility reporting and to evaluate whether company performance is a determinant of corporate social responsibility reporting among companies listed in Nairobi securities exchange in Kenya. This chapter presents the data analysis results and discussion of key research findings which are discussed in line with the research variables and the specific objectives. This included the descriptive results on the extent of corporate social responsibility reporting and on company performance. A linear regression model was used test the hypotheses and so as to achieve the objective of evaluating whether company performance is a determinant of the extent of corporate social responsibility reporting.

4.2 Descriptive study findings and discussion

4.2.1 Extent of CSR reporting

As indicated by prior research (KPMG, 2011) the concept of CSR reporting is gaining prominence in many countries as many nations move to integrated reporting to curb the malpractices evidenced in financial reporting. In Kenya the findings of Kalunda (2012) and Ponnu and Okoth (2009) showed that the extent of reporting was low with majority of companies disclosing only the good news in an adhoc manner. In this study the extent of reporting was measured by the means of the disclosed items in relation to the total disclosure items as adopted from the Global reporting initiative index (GRI, 2006). To obtain details of the extent of reporting the results were analyzed in terms of extent of reporting by the disclosure themes. The descriptive results of this study shows variations in the level of CSR disclosures among the sampled companies which is similar to the results of Kharshameh and Suwaidan (2010) and khasharmeh and Desoky (2013). The descriptive analysis findings of this study reveal that generally the concept of reporting on non-financial aspects of the business has improved as illustrated by table 4.1 below with a reporting index of 51.54 on average and a standard deviation of 20.64 which indicates a very high level of dispersion between the companies on the extent of CSR reporting. These results are in line with the findings of other studies such as Sufian (2012) and Khasharmeh & Desoky (2014) who identified that the level of non -financial information reporting in developing countries is low but shows signs of prominence in the near future.

Table 4.1: Reporting index

N	Valid	37
	Missing	0
Mean		51.5450
Std. Deviation		20.64233

4.2.2. Extent of CSR reporting by themes

Among the disclosure themes as illustrated on Table 4.2 below corporate governance and community involvement information was the highest communicated with an average of 84.86 and 68.65 respectively. Despite of the improvement in CSR reporting, the results show that disclosure with regards to environmental information (mean=43.2), employee relations (mean=36.68) and product or service safety (mean=25.40) had low means implying there is still need for more to be done to encourage companies to continue adopting the new trend which has seen considerable improvement in the transparency of reporting in developed countries. The high level of reporting on corporate governance can be attributed to the need to comply with governance requirements as indicated in fig. 4.2 in the appendix, which also can explain why the companies have a high level of reporting on community involvement which could imply that they have a need to comply with ethical considerations (15.2%) as well as the need to improve transparency (13.4%) in their reporting by ensuring that they disclose information even on non-monetized activities.

Table 4.2 CSR reporting by reporting themes

		Environmental	Employee welfare	Community involvement	Product/ service safety	Cooperate governance
N	Valid	37	37	37	37	37
	Missing	0	0	0	0	0
Mean		43.2432	35.6757	68.6486	25.4054	84.8649
Std. Deviation		36.67076	33.04379	33.51303	25.66825	15.20629

Environmental information reporting

Reporting on a company's impact to the environment has been considered of a key concern by the environmental activists as well as the government bodies. In most developing countries disclosure of the efforts a company has undertaken to safeguard the environment can be of key concern to the managers who would require the legitimacy and the license to continue operating. The findings of this study reveal a grim picture of the trend in disclosure of environmental information. As disclosed in table (4.3) below, the general disclosure is low which is in line with other research findings in developing countries like Malaysia which showed that the extent and quality of environmental disclosure was very low (Nik and Ahmed, 2013) and prior findings in Kenya by ponnu and Okoth (2009) which revealed that only a limited number of companies disclosed information concerning the environment. These findings indicate that environmental disclosures are not regarded as a primary concern in the reporting systems of majority of the Kenyan companies. The low disclosure can be attributed to the lower number of sampled companies which have a negative impact on the environment (manufacturing, 14) as compared to the number of companies in the service industry (23) which is contrary to the number of manufacturing industries in developed countries. Among the disclosure items most of the companies disclosed more (68%) of environment conservation which could be attributed to the pressure from environmental activists who exert pressure on companies to preserve the environments within which they operate. Further analysis reveals that all other environmental disclosure items fared poorly on average with air pollution having a mean of 43%, conservation of energy 49%, air pollution and carbon emission 43% while solid waste disposal registered the lowest with 14% as illustrated by table 4.3 below.

Table 4.3: Extent of environmental information reporting

		air pollution /emission	solid waste disposal	environment conservation	water discharge and sanitation	Conservation of energy
N	Valid	37	36	37	37	37
	Missing	0	1	0	0	0
Mean		.43	.14	.68	.41	.49
Std. Deviation			.351	.502	.498	.507

Extent of employee welfare information reporting

The descriptive statistics results (table 4.4) reveal similar findings to those of environmental information reporting. Disclosure on employee welfare is low on average with the highest disclosure items being employee training and development with a mean of 54% and employee health and safety which can be attributed to the need to motivate their employees. The results of the other disclosure items on employee welfare are low with employee recreation having 24% disclosure rate, staff welfare having 41% while disclosure of employment of special groups has the lowest mean of 14% as illustrated by table (4.4) below. Similar results were revealed by Bayoud et al (2012) from Libyan companies where the employee welfare discloser was among the lowest in the list of disclosure categories in Libya. The low employee disclosure index among companies in developing countries could be attributed to the high level of unemployment which would make companies not to see the need to disclose employee welfare information since they have a wide pool of qualified manpower where they can easily get employees without having to entice them to join their companies.

Table 4.4: Extent of Employee welfare reporting

		employee training and development	employee health and safety	employee recreation clubs	staff welfare	employment of special groups
N	Valid	37	37	37	37	37
	Missing	0	0	0	0	0
Mean		.54	.46	.24	.41	.14
Std. Deviation		.505	.505	.435	.498	.347

Community involvement information reporting

Business organizations operate within a particular environment and within a particular community. According to legitimacy theory companies engage in social activities for the community in order to obtain the legitimacy to continue operating. The descriptive analysis results support this argument by revealing that majority of the companies are performing well in reporting their efforts to sustaining the community within which they operate. The results in table 4.5 below shows that sponsorship to education and donation to charities are the most communicated information (mean=0.81) and (mean=0.78) respectively followed by sponsorship to health concerns with (mean=0.70). This indicates that the issues which are critical to the community wellbeing are taken seriously by the companies as they are intended to show their commitment to sustainability. Community seminars and conferences fared relatively lower (mean=0.57) for both. This implies that compared to the other three they may be of less concern to the community hence spent less effort in trying to communicate them to stakeholders. These results were supported by an earlier study by

Ponnu and Okoth (2009). These positive results could be attributed to the pressure of human rights activists and NGO who put pressure for companies to be accountable and ensure sustainable development.

Table 4.5 community involvement information

		donation to charities	social welfare	community seminars/conferences	sponsorship to health concerns	sponsorship to education
N	Valid	37	37	37	37	37
	Missing	0	0	0	0	0
Mean		.78	.57	.57	.70	.81
Std. Deviation		.417	.502	.502	.463	.397

Extent of Product /service safety information reporting

Reporting on the safety of a product or service can be used as a tool for attracting and retaining customers as well as reducing unnecessary investigations by the government agencies. Kalunda (2012) identified that companies report only good news in their CSR reports, this can be supported by the descriptive results of the current study (table 4.6) reveals very low disclosure level of product or service safety information. Among the disclosure items only information concerning awards received due to quality products or services has a higher level of disclosure with a mean of 46% followed by information about research projects to improve quality of product or services at 42%. Calling back of poor quality products from the market and legal penalties due to the company products or services reveal the lowest levels of reporting at 3% and 5% respectively. This is an indicator that companies are not interested in disclosing negative information about their affairs to the public which indicates that the disclosure may be just a public relations activity with a very general good news type of disclosure being the norm.

4.6 Product/Service Safety Information

		products /services safety	legal penalties due to company products/ services	awards received due to quality products/ services	research projects to improve quality of products/ services	calling back of poor quality products from the market
N	Valid	37	37	37	36	37
	Missing	0	0	0	1	0
Mean		.32	.05	.46	.42	.03
Std. Deviation		.475	.229	.505	.500	.164

Extent of corporate governance reporting

The highest disclosure item was found to be corporate governance information with a disclosure rate of (84.86) as illustrated on table (4.7) below. The expectation was that all the companies were to have corporate governance report in their annual report because it is a mandatory requirement for all listed companies according to the CCGK (2005) requirements and also as per the capital market steering committee on corporate governance (2014) requirement. Though extent of disclosure varied from one item to another, all the sampled companies had a corporate governance report in their annual report, with only 68% being audited by external auditors to confirm whether it shows the true and fair view of the company's CSR activities as illustrated in table 4.7 These results though showing high levels of governance information they do not disclose 100% of what is expected implying that there is a level of non- compliance though minimal. These results are similar to those of Malaysian listed companies (Hafizah et al 2014) who had a 3% non-compliance with CSR disclosures despite of the practice being made mandatory in 2006. These findings imply that some companies do not take the issue sustainability reporting seriously.

Table: 4.7 extent of corporate governance reporting

		availability of corporate governance report	ethical behavior of managers	compliance with regulations	audit report on governance	participation of directors in csr activities
N	Valid	37	37	37	37	37
	Missing	0	0	0	0	0
Mean		1.00	.95	.97	.68	.65
Std. Deviation		.000	.229	.164	.475	.484

4.2.2 Company Performance

The performance of a company can influence the extent to which resources are available for collecting, summarizing and reporting corporate social responsibility information. This study focused on company performance in terms of the availability of resources to be used for CSR reporting as adopted by Desoky (2009) and Ally and Simon (2008).To reduce the sensitivity of the information, the company performance was measured by objective measures based on the extent to which the respondents agreed that the company profitability, total assets, return on investment (ROI) and market share performance. The descriptive statistics on table 4.8 below shows the performance of the companies with regard to these measures on a scale of five.

Total assets

The total assets have been used by many prior studies as a measure of performance (Barako et al, 2006; Hankock and Izan, 2007; Desoky, 2009, Reverte, 2009; Ponnu and Okoth, 2009 and Khasharmeh, 2010). Total assets measure the worth of the company because they are the resources which are used in the process of generating income for the business. The higher the level of total assets the higher the expectation that they will be used in operations to create more wealth for the owners as well as be used in all company activities including CSR activities and reporting. The descriptive study results reveal that the companies' total assets were above average in terms of adequacy (mean= 3.67) with an above average growth rate (mean= 3.44), which implies that these companies have the required resources to be engaged in CSR activities as well as their reporting. Total assets being used as a measure of the availability of resources for company activities implies that it is engaged with many stakeholders who demand to be provided with timely and accurate information to assess whether their interests are being safeguarded.

Profitability

The findings of this study reveal that the profitability of the companies was above average (mean=3.67) with a standard deviation of 0.99. Profitability has also been used as a measure of performance in literature by many researcher (Hassan, 2006; Brammer and Pavelin, 2008; Ponnu and Okoth, 2009; Desoky, 2009; Revert, 2009; Samaha, 2010 and Mohammad, 2012). Profitability is the residue of all the formal business activities, which can either be distributed to the owners of the business or can be ploughed back into the business to allow for future expansion depending on the dividend policies of the organization. It is this residue which can be used for voluntary activities such as CSR and its reporting. According to Reverte (2009), profitable companies attract attention from the public and tax authorities thus are expected to disclose more information so as to avoid unnecessary scrutiny from the authorities and also to justify their existence within the community in which they operate in line with the legitimacy theory. These findings imply that the companies have the required resources in terms of available profits which can be used in CSR activities and reporting.

Return on investment

The descriptive findings of this study reveals that among the companies the ROI was moderately adequate for the investors (mean= 3.6) with a standard deviation of 1.2. The return on investment can be used as a measure of performance on how the managers are utilizing the resources for the benefit of the stakeholder. According to the stakeholder theory companies are not expected to only focus on satisfying the shareholders because the success of the business affects all other stakeholders. This level of performance implies that companies have the required resources to be engaged in CSR activities as well as taking all the necessary steps towards disclosing all the information concerning these activities to the required stakeholders.

Market share

The performance of the companies market share is an indication of how the company is rated by outsiders who use this information in making investment decisions. The findings of this study reveal that the market share performance was above average (mean= 3.47) with an equally high level (mean= 3.43) of competitiveness in the share prices. Companies which have larger market share attract attention from investors, customers, suppliers, government as they are expected to impact on the diverse stakeholders who demand information concerning operations of the companies to safeguard their stake in the business hence they are expected to disclose more CSR information.

Table 4.8: Descriptive Statistics: company performance

	N	Mean	Std. Deviation
Adequacy of ROI for investors	37	3.6000	1.23786
Competitiveness of share prices	37	3.4268	1.28368
Growth in total assets	37	3.4415	1.12289
Market share performance	37	3.4700	1.11967
Adequacy of total assets for CSRR	37	3.6703	1.13736
Profitability	37	3.6668	.99531
CSRR attracts and retains employees	37	2.6797	1.36138
CSRR improves performance	37	3.7794	.96397
CSRR expenditures improves future performance	37	2.6313	1.29500
Valid N (listwise)			

4.3 Regression analysis and hypotheses testing

4.3.1 Company performance and extent of CSR reporting

The objective of the study was to evaluate whether Company performance determines the extent of corporate social responsibility reporting among companies listed in Nairobi

Securities Exchange in Kenya. To achieve this objective the first null hypothesis ($H0_1$) was tested;

$H0_1$: Company performance does not determine the extent of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange in Kenya

The company performance was measured by use of objective questions on a five point likert scale focusing on the profitability, ROI, total assets and market share. The results were used to compute the required measure of company performance represented by X_1 on the regression model. The extent of CSR reporting was measured by use of five disclosure themes each with five reporting items which were used in calculating the reporting index (RI). The regression model to test this hypothesis is as below;

$CSRDI(x) = \beta_0 + \beta_1 X_1 + e$

Where;

CSRDI= Corporate social responsibility disclosure index

β_0= Intercept

β_1 = regression coefficients

e = error term

X_1- company performance

The regression results from table 4.9a below shows that the R value was 0.528 showing that there is a positive relationship between company performance and the extent of CSR reporting among the sampled companies. The R^2 which represents the coefficient of determination has a value of 0.278 implying that 27.8 percent of the extent of CSR reporting can be explained by the company performance while the remaining 72.2 percent can be explained by other factors. The level of significance was explained by the p-value which requires that if the P-value in the model is less than 0.05 the model is said to be significant. The regression model (table 4.9b) was found to be valid at p-value was 0.001, F = 13.504 (1, 35) at $P< 0.05$. This implies that company performance has a significant positive effect on the extent of CSR reporting. The beta value shows the degree to which the predictor affects the outcome when all other predictors are held constant. The beta value (table 4.9c) for this study was β= 11.79 which implies that as the company performance increases the extent of CSR reporting also increases.

To test the null hypothesis $H0_1 = 0$ the regression model reveal that at t-value= 3. 675, p= 0.001 the null hypothesis which stated that the company performance is not a determinant of CSR reporting is rejected, and hence the H_1 is accepted implying that the company performance is a determinant of CSR among companies listed in NSE in Kenya. The following tables give the details of the effect of the prediction.

Table 4.9: Regression models; company performance and extent of CSR reporting

a)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.528[a]	.278	.258	17.78369
a. Predictors: (Constant), company performance				

b)

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4270.729	1	4270.729	13.504	.001[b]
	Residual	11069.085	35	316.260		
	Total	15339.814	36			
a. Dependent Variable: reporting.index						
b. Predictors: (Constant), company performance						

c)

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	11.774	11.211		1.050	.301	-10.985	34.533
	X1	11.788	3.208	.528	3.675	.001	5.276	18.300
a. Dependent Variable: reporting.index								

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of the study was to investigatethe extent of corporate social responsibility reporting and to evaluate whether company performance is a determinant of corporate social responsibility reporting among companies listed in Nairobi Securities Exchange. This chapter presents the summary of the study, conclusions made from the study findings as well as recommendations for action in policy and practice as well as direction for further study.

5.2 Summary

5.2.1 Extent of CSR reporting

The results of the study support the conclusions made many ongoing research findings that the concept of CSR reporting is gaining prominence among many business organizations. The findings of this study reveal that the practice of reporting on corporate social activities is gaining prominence (mean= 51.54) though with high level of dispersion in the extent of reporting among the companies as indicated by the standard deviation (20.64). Among the reporting themes, the companies reported more information concerning corporate governance (84.86%) while community involvement was equally highly reported with 68.65%. With regard to the other four reporting themes the companies faired below average with environment reporting having 43.2%, employee relation with 36.68% while product/service safety had the lowest level of disclosure of 25.40% on average.

5.2.2 Company performance and extent of CSR reporting

The descriptive statistics results reveal that on average the company performance was above average with profitability and total assets being the highest (mean=3.67) as compared to the market share (mean=3.47) and return on investment being the lowest (mean=3.60). The regression analysis results reveal that the regression model was found to be valid at p-value= 0.001, F= 13.5 (1,35) at $P< 0.05$. The findings also reveal that there is a positive and significant association between company performance and the extent of corporate social responsibility reporting with Correlation coefficient (R) of 0.528 and a coefficient of determination R^2= 0.278 at 95% confidence level. The t-statistic was used to test the hypothesis, the findings show that the t-value= 3.675 which is greater than the p-value hence the Null hypothesis was rejected and the alternative hypothesis (H_1) accepted hence the conclusion that company performance is a significant determinant of the extent of corporate social responsibility reporting among the sampled companies.

5.3 CONCLUSION

The general purpose of the study was to explore the extent of CSR reporting and to evaluate whether company performance is a determinant of the extent of CSR reporting among companies listed in NSE. Using content analysis method of data collection from the sampled companies annual reports the findings of the study reveal that Kenyan companies have improved in terms of CSR reporting compared to results of the work of Ponnu and Okoth (2009) and Kalunda (2012) but still the disclosure levels are still low compared to developed companies though with high level of dispersion with regard to the extent and nature of the reports.

The findings of the study reveal that company performance was above average indicating that the companies have the required resources to be used for corporate social activities including their reporting. Based on the regression results company performance was found to have a positive and significant relationship with the extent of reporting, this implies that company performance can be used to predict the extent of corporate social responsibility reporting. On testing the hypothesis the Null hypothesis was rejected because company performance was found to be a significant determinant of the extent of corporate social responsibility reporting among the companies listed in NSE in Kenya. These findings are in line with those of prior research findings of Barako, et al, (2006), Khan (2010) and Kamar and Youssef (2013) which identified that the highly performing companies are expected to report more on CSR activities to justify their position and at the same time reduce un necessary scrutiny from the government and the regulators.

5.4 Recommendations

The findings of this study has theoretical, academic and practical implications which can be used as a basis for improving and enhancing the practice of reporting on corporate social responsibility activities among business entities. The current study focused only on company performance as a determinant, focused on listed companies, and concentrated only on one year. Based on these limitations and findings the study recommends that;

1) Future study could be carried out on other variables to explore which other factors determine the extent of CSR reporting since company performance is explaining only 27.8% of the extent of CSR reporting among the companies listed in NSE.
2) Another study could be carried out on the private sector who are not controlled by the CMA to ascertain if similar findings would be established
3) A study could be carried out on the SME who are becoming significant contributors to the growth of the economy so as to encourage best practices among the small and medium enterprises.

4) A longitudinal study could be carried out to establish whether the companies are consistent in their CSR reporting practice.

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